

# Neighborhood Stabilization Homebuyer Program



## Program Qualifications:

- The Neighborhood Stabilization Homebuyer Program provides \$14,999 as a forgivable mortgage loan to homebuyers purchasing vacant foreclosed homes within a specified area. This soft second mortgage loan makes the home more affordable by reducing the amount the homebuyer will need to obtain as their first mortgage loan. If needed, up to \$5,000 of the \$14,999 may be used for minor repairs to ensure the home meets City of Rockford Codes & Ordinances. The funding is provided as a five (5) year forgivable mortgage loan. As long as the loan terms are met, no payments are required.
- The buyer may not currently own a home. However, it is NOT required that the buyer be a first-time homebuyer.
- The buyer's household income (income of everyone over the age of 18) projected over the next year, must be at least \$14,250 and must not exceed income limits indicated below.

### Maximum Income Limit:

Household Size:	Income Cannot Exceed:
1	\$53,350
2	\$60,950
3	\$68,600
4	\$76,200
5	\$82,300
6	\$88,400
7	\$94,500
8	\$100,600

- The buyer must complete housing counseling classes currently offered through Family Credit Management (815-484-1600) and the Rockford Area Affordable Housing Coalition (815-962-2011) prior to closing. If a buyer has completed the counseling indicated above or the Rockford Housing Authority's Buying a Home Workshop within the last 3 years, they will have met this requirement.

Neighborhood Stabilization Homebuyer Program

Qualifications & Process

Last revised 5/28/2010

- The property must be located within the NSP area which includes census tracts 10, 12, 13, 21, 22, 25, 26, 28, 31 & 32. Internet users may determine what census tract a foreclosed home is located in by completing an address search on the U.S. Census Bureau web site ([www.factfinder.census.gov](http://www.factfinder.census.gov)).
- The maximum value of the property may not exceed 99% of the appraised value, nor may it exceed \$200,160. The home must be a single-family (one-unit), detached, dwelling.
- An inspection by the City is required prior to the assistance being provided. Up to \$5,000 of the \$14,999 NSP assistance may be used to cover costs associated with ensuring the property passes this inspection. Although the City encourages all work to be completed prior to closing, the City may allow for work to be completed after closing. For work being completed after closing, one and a half (1 ½) times the cost of the work being completed will be held in escrow at the title company until the work is 100% complete, as evidenced by a City inspection.

NOTE: Deteriorating paint (chipping, peeling, chalking, or cracking paint) is considered a lead-based paint hazard if the home was built before 1978. If the home does not pass the inspection, the items that need to be replaced/fixed may need to be completed using a State-Licensed contractor or a Contractor who has successfully completed a HUD approved course, who uses safe work practices (see Safe Work Practices). Prior to receiving the funds, the property must pass a clearance inspection. If an outside source is used to complete the clearance inspection, the City will pay for one inspection. Lead Contractor listing can be found at: <http://app.idph.state.il.us/Envhealth/Lead/Leadcnt.asp>

- Funding is subject to availability and will be reserved once the buyer is deemed income qualified, City has received fully executed financing commitments, and the Contract for Purchase & Sale.
- If necessary for determining the offer price of an income qualified and preapproved buyer, the City will pay for an appraisal.
- The City will ensure the NSP loan documents and the check are at closing. It takes approximately three (3) weeks for a check to be available for a closing. A check will not be requested until the buyer is determined income qualified, it has been determined the buyer's financing and the property will meet program guidelines.

## **Process:**

### **Application:**

Buyer obtains a pre-application via web site, [www.rockfordil.gov](http://www.rockfordil.gov) , mail, fax, or by stopping in the

Neighborhood Stabilization Homebuyer Program

Qualifications & Process

Last revised 5/28/2010

office which is located on the second floor of the City of Rockford City Hall building. City Hall is located at 425 East State Street, Rockford, IL, 61104. The office hours are 8:00 a.m. to 5:00 p.m.

Buyer submits pre-application to the City of Rockford Community & Economic Development Department via fax, mail, or by dropping it off in the office. There is no application fee.

Interview:

The buyer will be contacted to set up an interview or will be notified if there is a waiting list. At the interview the buyer will be requested to bring the following for all household members over the age of 18:

- ✓ Income Verification: check stubs, social security statements, child support statements, pension, etc.;
- ✓ Deposit Account Statements: six (6) most recent months of checking account statements and one (1) statement from all savings accounts including IRA, Stocks, Bonds statements, etc.;
- ✓ Statement of Assets: assessment of property owned, etc.;
- ✓ Life insurance policy: if applicable, a statement indicating the current cash value of a life insurance policy;
- ✓ ID, or Drivers License;
- ✓ Social Security Card;
- ✓ Tax Returns: the most recent year tax return and W-2's; and
- ✓ Divorce Decree (if applicable).

NOTE: If separated, the buyer's spouse will be required to sign documentation waiving their Homestead Rights to the property.

If the buyer is income qualified, the City will provide the buyer's lender with a commitment.

After the buyer is income qualified, in no specific order the following will occur:

- The buyer locates the property they are interested in purchasing and the City completes an inspection. Based on inspection, arrangements are made to complete any work necessary to make the property meet local code.
- The following will be provided to the City:
  - ✓ Homebuyer counseling certificate of completion;
  - ✓ Request for Funds Form completed by the buyer's lender of choice;

Neighborhood Stabilization Homebuyer Program

Qualifications & Process

Last revised 5/28/2010

- ✓ Pre-approval letter from lender;
- ✓ Commitment from lender indicating the financing is a fixed rate conventional or FHA loan, not an ARM. If the lender is a mortgage broker, the commitment/approval must be accompanied by a copy of the loan approval from the investor agreeing to provide financing;
- ✓ Contract for Purchase, which includes the Lead-based Paint Disclosure, and the Notice to Seller;
- ✓ Appraisal;
- ✓ Title work;
- ✓ Proof the City has been added as mortgagee on home owner's insurance policy; and
- ✓ Any additional information necessary to determine if the buyer and/or property will meet the NSP guidelines.

Closing:

The buyer attends closing at the title company to sign all necessary loan documents associated with purchasing the property. The loan documents for the NSP funds are, but not limited to the following:

- ✓ Promissory Note;
- ✓ Mortgage; and
- ✓ Truth In Lending.

The Buyer must not receive cash back at closing, with the exception of any pre-paid costs, and property tax credits over and above the reserves required.

The Settlement Statement must show that the closing costs (not including prepaid charges & reserves, i.e. interest and escrows) do not exceed 5% of the 1st mortgage loan amount.